

Minutes
Transylvania County Board of Education &
Transylvania County Board of Commissioners
January 16, 2019

CALL TO ORDER

WELCOME & INTRODUCTIONS

- I. Overview of Statutory Responsibilities for Elected Boards
- II. Overview of Capital Funding for Education - Annual and Bonds
- III. Navigating Bond Projects
 - a. Roles and Responsibilities of the BOC, BOE, and Staff
 - b. Best Practices
 - c. Fiscal Responsibilities
- IV. Guidance on Elements of Joint Agreement
- V. Joint Board Discussion
- VI. Direction to Board Counsel
- VII. Closing Comments

ADJOURNMENT

The Transylvania County Board of Education and the Transylvania County Board of Commissioners met in joint session at 6:00 p.m. on January 16, 2019 at the Transylvania County Library. In addition to approximately 15 guests, the following board members and staff were in attendance:

BOARD OF EDUCATION:
Tawny McCoy, Chair
Ron Kiviniemi, Vice Chair
Courtney Domokur Mason
Marty Griffin
Alice Wellborn

BOARD OF COMMISSIONERS:
Mike Hawkins, Chair
David Guice, Vice Chair
Jason Chappell
Page Lemel

STAFF:
Dr. Jeff McDaris, Superintendent
Norris Barger, Finance Officer
Chad Donnahoo, Board Attorney
Jenny Hunter, Admin. Assistant

STAFF:
Jamie Laughter, County Manager
Jonathan Griffin, Finance Officer
Rebecca Joyner, County Bond Attorney
Trisha Hogan, Clerk to Board

MEDIA:
John Lanier, *Transylvania Times*

SECURITY:
Scott Thomas, School Resource Officer

Chairman Hawkins welcomed everyone and reported that the purpose of the meeting was hear a workshop on school finance and navigating bond projects by Attorney Kara Millonzi with the UNC School of Government. Chairman Hawkins and Chairman McCoy introduced the respective boards and staff members.

Ms. Millonzi reported that she has seen many counties and school boards improve relations after tense periods. She led the group in an exercise designed to help improve trust:

Step 1 - Know the rules (and the roles--who is responsible for what). Develop a common language. Try to understand the financials (i.e., how to read a school budget, chart of accounts, etc.).

Step 2 - Learn how to communicate more effectively with each other. There is no one way that works for everyone.

Step 3 - Develop trust. Be transparent. Meet for a meal. Take incremental steps.

Step 4 - Think outside the box. Seek creative solutions that work for both sides.

Step 5 - Reality bites. We all have to work within the framework of a funding system that we did not design. That structure can work against the establishment of trust because boards many times are comparing apples and oranges.

Ms. Millonzi gave an overview of statutory responsibilities of elected boards with respect to public school funding and governance structure. She stated that the *Leandro* ruling guarantees that every child will receive a sound basic education in our public schools. However, the constitution does not require substantially equal funding or educational advantages in all school districts. She reviewed which areas the county is responsibility for funding directly and indirectly. It is the responsibility of the county to provide for facilities, and the state provides for instruction and operations. Over time, the state has pushed a great deal of funding responsibility for operating costs down to local governments.

Ms. Millonzi led a group exercise on funding:

Question: The school board requests \$56,000 for teacher supplements in targeted grades. Must the county commissioners fund the supplements? *Answer: It depends. The school board may need the supplement to attract teachers in some counties.* May the commissioners mandate that the money be used for teacher supplements? *No.* May the county eliminate the appropriation if the money is not used for teacher supplements? *No.*

Question: The school board identifies need for new high school. The cost estimates are \$58 million for the site and size school that the school board deems best. Must the county commissioners fund the school? *Answer: It depends. Is the new school necessary to meet the Leandro standard? If so, then yes.* May the county commissioners mandate that a different site be chosen? *Commissioners do not have a role to play in site selection unless it significantly impacts the cost. They may request another site, but the school board can say no to that site. The two boards would need to work together on a compromise.* May the commissioners require the board to get additional bids for the project? *No.* If appropriated in the county budget, must the county disburse the money to the school board? *Generally, yes.* May the school board change the type or scope of a project after the budget is adopted? *It depends.*

Attorney Donnahoo asked Ms. Millonzi to discuss sales tax reimbursement for bond projects. Generally, when the school board controls the project, they may apply for only a partial reimbursement. If the county controls the project, they may apply for a full reimbursement. Attorneys should work out the best agreement for both sides that would meet legal obligations.

Mrs. Wellborn asked when a bond referendum is successful, does the county always have to issue the bonds? Ms. Millonzi stated there are times when counties will choose not to issue the debt based on economic or other issues. There are a number of reasons why a county may choose one source of funding over another.

Mr. Griffin noted that a trust issue exists between the boards regarding how to address the other school facility needs that will not be covered by the bond. Ms. Millonzi emphasized that

conversation and cooperation between boards and staffs are crucial to developing a workable partnership in oversight for bond projects and regular school capital projects. There is no one right way to structure that partnership. She strongly recommended having regular joint meetings to discuss needs and review the rolling five-year capital plan.

Mr. Donnahoo discussed a process for change orders. Each board has its own policy, and when the two policies don't agree, how is that resolved? Ms. Millonzi recommended developing a plan ahead of time that identifies how the two policies differ, finds a compromise, and sets parameters as to how both boards respond moving forward.

Chairman Hawkins pointed out that this would be the largest bond project that the county has ever taken on and asked if there were any best practices to help avoid potential pitfalls. Ms. Millonzi stated that while nothing is risk-free, what works best in other counties is for the school board to select the methods they deem best and educate the county as to why they selected those method. Mr. Donnahoo reported that the board will most likely appoint a construction manager at risk (CMAR) to oversee the projects. He described how CMARs work and noted that they have a proven track record of providing the best construction delivery method and cost control on the market today.

Chairman Hawkins stated that he would like to see the two boards become more intentional about interacting and suggested that the two chairs sit down and develop a plan for making that happen. Chairman McCoy agreed, stating that a better relationship is important for moving the bond forward and for the future.

All were in agreement with the need to improve trust and communication between the boards. Mr. Guice stated that he appreciates the importance of being open and honest and looks forward to a good working relationship for the future. Mrs. Lemel stated that she would like to see both boards pass a resolution regarding joint planning to show a good faith effort and commitment to looking at a five-year plan for schools moving forward.

Mrs. Wellborn stated that she would like for the county to think about the current budget process. She would like see a return to the old method wherein the school board would present its needs face to face and have dialogue with the commissioners instead of just sending paperwork back and forth.

Mr. Donnahoo asked if the county had any changes to be included in the proposed memorandum of agreement that he has drafted regarding the roles of the two boards in the bond construction/renovation projects. Commissioners indicated that they have reviewed the draft, but had no changes at this time. Mr. Chappell suggested that the commissioners provide any specific input they would like to have included in the agreement to the attorneys by next week.

There was no further discussion. Mr. Hawkins thanked everyone for coming and the meeting adjourned at 8:42 p.m.

Respectfully submitted,

Chairman

Secretary